



Highlights

Highlights of OCA-10-008

Why OCA Did This Study

The Bid to Goal (B2G) program was piloted by San Diego's Wastewater Department in 1998 to improve efficiency and effectiveness by combining the best features of the public and private sectors. B2G has evolved and been expanded to include Water and Wastewater Fund employees within the newly created Public Utilities Department and currently incorporates a bid process and a gainsharing incentive program. OCA was asked to determine the extent to which (1) employee bids are competitive with the private sector, (2) the departments have achieved savings and are effectively managing the program, (3) management is involving employees in establishing challenging gainsharing goals, and (4) management is providing review and oversight of the program. To do this, OCA analyzed financial data; reviewed Departmental guidance, annual reports, and B2G contracts; evaluated best practices and guidance for performance management and gainsharing; and assessed compliance.

What OCA Recommends

OCA is making several recommendations to the Department for improving the management of the B2G program, including ensuring that accurate B2G records are maintained and establishing a central location for these documents; tracking and maintaining information on costs of the program, assurance fund expenditures, and the amounts of payouts to employees; and establishing a system to involve all levels of employees in setting gainsharing goals. OCA is also recommending that the Department develop processes for ensuring that internal controls are an integral part of planning, budgeting, managing, accounting, and auditing the B2G program.

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February 2010

BID TO GOAL

Efficiencies Have Been Achieved, but Improvements Are Needed in Documentation, Management, and Internal Review of the Program

What OCA Found

The intent of the B2G program is (1) for employee bids to meet or be less than industry benchmarks provided by a third party contractor and (2) to achieve savings which the Department calculates by subtracting actual costs from employee bid amounts. Two of five B2G employee bids we reviewed for fiscal years 2005 through 2008 exceeded industry benchmarks, because the benchmarks were done about two years prior to the program beginning and adjustments made to the employee bids—such as for inflation—were not made to the benchmarks. Further, we faced challenges in obtaining accurate and complete data on the B2G program because there has been no central source with this information and the various divisions have not maintained updated and complete historical records despite recommendations by the external auditor to do so. Without providing a benchmark which is comparable for the first year of the contract and maintaining complete and accurate records of the program, the auditability, credibility, and transparency of B2G is affected.

The divisions have achieved savings and efficiencies, such as reducing sanitary sewer overflows by 81 percent since fiscal year 2000, but B2G has been closely linked with other efforts, including Business Process Reengineering, which we believe would have improved the divisions' efficiency and effectiveness. We identified four areas where improvements are needed to better manage the program: the Department has not (1) clearly defined roles and responsibilities in the bid process for itself and the contractor; (2) tracked the administrative time and costs of B2G; (3) tracked actual expenditures for the employee assurance fund, and (4) required the external audit of payouts or maintained accurate records of total gross payouts and the number of employees receiving payouts.

The Department has improved gainsharing goals in fiscal year 2010 and met the operational and administrative provisions for gainsharing. However, the degree of employee involvement varies across divisions, because the Department lacks a system for involving all levels of employees in developing gainsharing goals. Without such a system, the Department is missing an opportunity to obtain valuable employee input.

The divisions have overstated program savings by about 8.4 percent from fiscal year 2005 through 2008. Discrepancies are occurring because the Department lacks specific guidance for preparing savings calculations, a process for ensuring that recommendations made by the external auditor are implemented, and an internal control and review process. Internal controls are an integral component of an organization's management. Without such controls, managers cannot ensure that B2G results are reliable and safeguard the integrity of the program.